

## Auditing Procedures Report

Instructions and MuniCodes

\* = Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

Unit Name* BELLAIRE PUBLIC LIBRARY	County* ANTRIM	Type* LIBRARY	MuniCode* 05-8-000
Opinion Date-Use Calendar* Mar 4, 2008	Audit Submitted-Use Calendar* Aug 21, 2008	Fiscal Year End Month* 12	Fiscal Year* 2007

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

- ☒ ☐ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ ☐ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☒ ☐ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ ☐ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ ☐ 5. Did the local unit adopt a budget for all required funds?
- ☒ ☐ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ ☐ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ ☐ 8. Has the local unit distributed tax revenues that were collected for another taxing unit, timely as required by the general property tax act?
- ☒ ☐ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ ☐ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
- ☒ ☐ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☒ ☐ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ ☐ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- ☒ ☐ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ ☐ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ ☐ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☒ ☐ 18. Are there reported deficiencies? ☒ 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> \$ 155,566.00
General Fund Expenditure:	<input type="checkbox"/> \$ 122,237.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> \$ 352,782.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* DANIEL	Last Name* SMITH	Ten Digit License Number* 1101020912		
CPA Street Address* 114 S CENTER AVE STE 106	City* GAYLORD	State* MI	Zip Code* 49735	Telephone* +1 (989) 732-1441
CPA Firm Name* DAN SMITH, CPA	Unit's Street Address* 111 S BRIDGE ST.	Unit's City* BELLAIRE	Unit's Zip* 49615	

**BELLAIRE PUBLIC LIBRARY**  
**ANTRIM COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**Bellaire Public Library**

**Library Board of Trustees**

Martha Harris – President

Carol Whitson - Treasurer

Melynda Bagley - Vice President

Sherry Comben - Trustee

Marjorie Fleet – Secretary

Mary Edens - Trustee

**Library Staff**

Linda Offenbecker - Director

Lori Smalley – Assistant Librarian

Mary Henderson – Assistant Librarian

**BELLAIRE PUBLIC LIBRARY**

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DAN  
SMITH

CERTIFIED PUBLIC ACCOUNTANT

## INDEPENDENT AUDITOR'S REPORT

March 4, 2008


To the Members of the Board  
Bellaire Public Library  
Antrim County, Michigan

I have audited the accompanying financial statements of the governmental activities and the major fund of the Bellaire Public Library, a joint venture, as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Bellaire Public Library as of December 31, 2007, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages II-IV and budgetary comparison information on page 13, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



Daniel S. Smith, CPA

# **BELLAIRE PUBLIC LIBRARY**

**PO Box 477  
Bellaire MI 49615  
(616) 533-8814**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the annual financial report of the Bellaire Public Library presents our discussion and analysis of the entity's financial performance during the fiscal year ended December 31, 2007. Please read it in conjunction with the financial statements which immediately follow this section.

### **Financial Highlights**

Our financial status improved over the last year. The change in net assets, as calculated on the full accrual basis of accounting was \$37,656. The excess of revenues over expenditures as calculated on the modified accrual basis of accounting was \$33,329.

Total net assets increased to \$588,648, of which \$235,866 is invested in capital assets.

Overall revenues were \$155,566, of which \$104,895 are property taxes collected from the residents of Forest Home and Kearney Townships. Overall expenses (including depreciation) totaled \$117,910.

The primary revenue source of the Library is property tax revenues, collected from Kearney & Forest Home Townships at .3445 mills, consistent with the prior year levy.

### **Overview of the Financial Statements**

This annual report consists of three parts: the management's discussion and analysis, the basic financial statements, and supplementary information. The basic financial statements include two different kinds of statements that present different views of the Library.

The government-wide financial statement provides both long and short-term information about our overall financial status. The fund financial statements provide financial information using the current measurement focus. The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

### **Government-Wide Statements**

The government-wide statements report information about the Library as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Library's assets and liabilities, both short-term and long-term in nature. The Statement of Activities records all the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Library's assets and liabilities. This is one method to measure an entity's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating. To assess overall health of an entity, you may also have to consider additional factors such as the shrinking property tax levy due to the Headlee rollback and the timing of receiving contributions.

The Library is involved in only one activity – library services – which are primarily supported by property tax contributions and therefore are reported as a governmental activity.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Library's operating fund. Funds are used to account for specific activities or funding sources. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Library has the following fund:

General Fund – This fund records all of the financial activity of the Library.

### **Financial Analysis of the Library as a Whole**

The Library's total net assets increased by approximately 6% during the year ended December 31, 2007 totaling \$588,648. The increase is primarily due to the increase in revenues over expenditures in 2007.

The Library's total revenue increased by \$24,207 from 2006. The increase is primarily comprised of increases in property tax revenue due to an increase in the taxable value of properties within Forest Home and Kearney Townships.

The Library's total expenditures decreased by \$2,091 from 2006. The decrease is comprised primarily of a decrease in automation.

### **Financial Analysis of the Library's Funds**

The day to day activities of the operations fund have remained consistent from 2006 and is comprised largely of personnel costs, book purchases, utilities and building maintenance. The cost of these activities decreased approximately 1% from the prior year. The revenues collected to fund the activities increased slightly due to an increase in taxable values within Forest Home and Kearney Townships. This resulted in an excess of revenues over expenditures of \$33,329 in the fund financial statements.

### **Financial Analysis of the Library's Funds (Continued)**

The Board designated fund balance, which is earmarked for future building enhancements, increased by \$38,352.

As of December 31, 2007, the undesignated and unreserved fund balance is \$110,648 which is a decrease of \$4,675 from the prior year.

### **Capital Asset and Long-term Debt Activity**

Capital Assets – The Library purchased library books, a computer and fixtures during the year. Total capital asset additions were \$31,215.

Long-term Debt – The Library has incurred no long-term debt at this time.

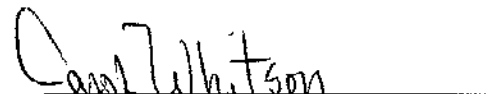
### **Known Factors affecting future Operations**

There are currently no known factors that are anticipated to have a significant impact on future operations.

### **Contacting Entity Management**

This financial report is designed to provide taxpayers and customers with a general overview of the entity's finances and to demonstrate the entity's accountability for the revenues it receives. If you have questions concerning this report, please contact either Linda Offenbecker or Carol Whitson at 111 South Bridge Street, Bellaire, MI 49615.

  
Linda Offenbecker - Director

  
Carol Whitson - Treasurer



**BELLAIRE PUBLIC LIBRARY  
STATEMENT OF NET ASSETS  
AS OF DECEMBER 31, 2007**

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	\$ 20,853
Certificate of Deposit	332,504
	<hr/>
Total Current Assets	353,357
	<hr/>
<b>Capital Assets</b>	
Land	25,000
Building, Books, Fixtures and Equipment	484,044
	<hr/>
	509,044
Less, Accumulated Depreciation	(273,178)
	<hr/>
Total Capital Assets	235,866
	<hr/>
<b>Total Assets</b>	<u>589,223</u>
	<hr/>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Payroll Liabilities	575
	<hr/>
<b>NET ASSETS</b>	
<b>Net Assets</b>	
Unrestricted	352,782
Investment in Capital Assets	235,866
	<hr/>
Total Net Assets	<u>\$ 588,648</u>
	<hr/>

See accompanying notes to the financial statements

**BELLAIRE PUBLIC LIBRARY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	P R O G R A M   R E V E N U E S				NET REVENUE (EXPENSE) AND CHANGE IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRI- BUTIONS	CAPITAL GRANTS AND CONTRI- BUTIONS	
<b>GOVERNMENTAL ACTIVITIES:</b>					
Library Activities	\$ 117,910	\$ 1,211	\$ 32,062	\$ -	\$ (84,637)
<b>GENERAL REVENUES:</b>					
Property Taxes					104,895
Interest Income					17,398
Total General Revenues					122,293
Change in Net Assets					37,656
Net Assets - Beginning of Year					550,992
Net Assets - End of Year					\$ 588,648

**BELLAIRE PUBLIC LIBRARY  
BALANCE SHEET  
GENERAL FUND  
DECEMBER 31, 2007**

**ASSETS**

**Current Assets**

Cash	\$ 20,853
Certificates of Deposit	332,504
	<hr/>
Total Assets	353,357
	<hr/> <hr/>

**LIABILITIES AND FUND EQUITY**

**Current Liabilities**

Payroll Tax Withholdings/Accruals	575
	<hr/>
Total Liabilities	575
	<hr/>

**Fund Equity**

Fund Balance - Undesignated	110,648
Fund Balance - Designated	242,134
	<hr/>
Total Fund Balance	352,782
	<hr/>

Total Liabilities and Fund Equity	\$ 353,357
	<hr/> <hr/>

See accompanying notes to the financial statements

**BELLAIRE PUBLIC LIBRARY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

<b>TOTAL FUND BALANCE - GOVERNMENTAL ACTIVITIES PER THE BALANCE SHEET - PAGE 3</b>	<b>\$ 352,782</b>
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Amounts reported for governmental activities in the Statement of  
Net Assets (page 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore not used in the funds	235,866
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<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES PER THE STATEMENT OF NET ASSETS - PAGE 1</b>	<b>\$ 588,648</b>
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See accompanying notes to the financial statements

**BELLAIRE PUBLIC LIBRARY  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**REVENUES:**

Property Taxes	\$ 104,895
Penal Fines	14,769
Gifts and Donations	14,048
Interest	17,398
State Aid	3,058
Overdue Fines	1,211
Grant Income	187
<b>Total Revenues</b>	<u>155,566</u>

**EXPENDITURES:**

Salaries and Wages	47,966
Payroll Taxes	3,915
Books	24,855
Books and Other - Friends/Donations	9,827
Accounting Services	8,530
Building Maintenance	7,260
Automation	3,767
Utilities	5,279
Insurance	2,791
Periodicals	2,323
Supplies	1,997
Dues	1,535
Postage	808
Equipment Maintenance	80
Programs	660
Miscellaneous	644
<b>Total Expenditures</b>	<u>122,237</u>

Excess of Revenues over Expenditures	33,329
<b>Fund Balance - Beginning of Year</b>	<u>319,453</u>
<b>Fund Balance - End of Year</b>	<u><u>\$ 352,782</u></u>

See accompanying notes to the financial statements

**BELLAIRE PUBLIC LIBRARY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS PER THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - PAGE 5</b>	<b>\$ 33,329</b>
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Amounts reported for governmental activities in the Statement  
of Activities (page 2) are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives.	31,214
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Depreciation expense is recorded in the Statement of Activities, but not in the governmental fund financial statements.	(26,887)
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<b>CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES - PAGE 2</b>	<b>\$ 37,656</b>
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See accompanying notes to the financial statements

**BELLAIRE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007**

**NOTE A: ENTITY**

The Bellaire Public Library is a joint venture District Library located in Antrim County, Michigan. The Library's mission is to serve people of all ages by actively providing easily accessible information, materials, services, and programs designed to meet the community's evolving educational, recreational, cultural and informational needs. It receives a majority of its financial support from property taxes levied in Forest Home and Kearney Townships, penal fines, and local donations. The Library operates under a Board of Trustees, comprised of six members appointed by the Townships.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of the Library are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Library's financial activities.

The accounting policies of the Library conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**GOVERNMENT WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Library as a whole.

***Fund Financial Statements***

Fund financial statements are provided for the Library's governmental fund. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**FUND TYPES AND MAJOR FUNDS**

*General Fund* - This is the only fund of the Library. It is a governmental fund used to account for all financial resources related to library operations.

**BELLAIRE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Library are prepared in accordance with generally accepted accounting principles (GAAP). The Library applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Library does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

***Government-Wide Financial Statements***

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

***Governmental Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Library considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

**PROPERTY TAXES**

In August, 1994, the Townships of Forest Home and Kearney passed a millage allowing the Library to levy a tax annually on the taxable property in the District (comprised of Forest Home and Kearney Township) in the amount of forty cents per one thousand dollars (.4 mills) for the purpose of supporting the Library. The current (2006 tax year) operating levy is .3445 mills.

Taxes are levied on December 1 and become a lien on the property at that time. The townships collect property tax from December 1, it is the Library's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and is available for the financing of Library operations.



**BELLAIRE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Management has determined that the value of uncollected personal property taxes is immaterial to the financial statements each year, accordingly, no provision for uncollectible accounts has been provided.

**USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**BUDGETS**

An operating budget is prepared by the Library annually and presented to the member townships. The budget is adopted prior to January 1, on the modified accrual basis and is amended at regular intervals throughout the year.

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended December 31, 2007, the Library experienced no over-expenditures.

**CASH EQUIVALENTS**

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents for the Bellaire Public Library consist of certificates of deposit with an original maturity of 90 days or less.

**CAPITAL ASSETS AND DEPRECIATION**

The Library's property, plant, equipment, furniture, and books with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Library has no infrastructure assets. Donated assets are stated at fair value on the date donated. The Library generally capitalizes assets with historical cost of \$500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

**BELLAIRE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	50 – 75
Computer Equipment	5 – 7
Furniture	7 – 10
Books	3 – 7
Shelving	25 – 30

**NOTE C: CASH AND INVESTMENTS**

**CASH**

Cash is maintained in a financial institution in the Bellaire, Michigan area. The cash consists of an interest bearing checking account. The carrying amount in the checking account at December 31, 2007 was \$20,853 and the bank balance was \$23,242, which is entirely insured by FDIC insurance.

**INVESTMENTS**

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's investments are as follows:

- Category 1 – Insured or securities held by the Library or the Library's agent in the Library's name.
- Category 2 – Uninsured with securities held by the counter party's trust department or its agent in the Library's name.
- Category 3 – Uninsured with securities held by the counter party's trust department or agent but not in the Library's name.

Investments consist of certificates of deposit with an original maturity in excess of 90 days. Interest income is recorded when received. As a result, the book value approximates the market value. Balances at December 31, 2007, consist of the following:

	Category 1	Category 2	Category 3	Carrying Value
Certificates of Deposit	\$ 200,000	\$ 132,504	\$ -	\$ 332,504

**BELLAIRE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007**

**NOTE C: CASH AND INVESTMENTS (CONTINUED)**

Statutory Authority

Act 217, PA 1982, authorizes the Library to deposit and invest in:

- (a) Bonds and other direct obligations of the United States or its agencies.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depositors of surplus money belonging to the State under section 5 or 6 of Act 105, PA 1855, as amended.
- (c) Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
- (d) United States Government or Federal Agency obligation repurchase agreements.
- (e) Banker's acceptance of United States banks.
- (f) Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

The Library's cash deposits and investments are in accordance with statutory authority.

**NOTE D: CAPITAL ASSETS**

	Balance 1/1/2007	Additions	Disposals	Balance 12/31/06
Governmental Activities				
Capital assets not being depr:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital assets being depr:				
Buildings & Improvements	140,377	-	-	140,377
Furniture and Fixtures	38,796	782	-	39,578
Computer Equipment	37,085	1,489	-	38,574
Books	259,975	28,944	23,404	265,515
Subtotal	476,233	31,215	23,404	484,044
Accumulated depreciation:				
Buildings & Improvements	31,097	1,872	-	32,969
Furniture and Fixtures	23,606	2,520	-	26,126
Computer Equipment	35,277	1,045	-	36,322
Books	179,715	21,450	23,404	177,761
Subtotal	269,695	26,887	23,404	273,178
Net capital assets being depr.	206,538	4,328	-	210,866
Net capital assets	\$ 231,538	\$ 4,328	\$ -	\$ 235,866

Depreciation expense was charged entirely to the operations function of the Library.

**BELLAIRE PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007**

**NOTE E: FUND BALANCE/NET ASSETS**

**DESIGNATED FUND BALANCE**

The Library Board has designated monies set aside for the purpose of funding major improvements or repairs to the building. The designated fund balance at December 31, 2007 is \$242,134.

**RESTRICTED NET ASSETS**

Net assets in the government-wide financial statements are categorized as either invested in capital assets, restricted by an outside source, or unrestricted. Board designations are not distinguished on the Statement of Net Assets.

**NOTE F: INSURANCE**

The Library is insured for general liability and property loss claims by the State Farm Insurance Company. The following coverage exists:

GENERAL LIABILITY	\$ 1,000,000
BUILDING	\$ 445,100
PERSONAL PROPERTY	\$ 153,200

**BELLAIRE PUBLIC LIBRARY**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET VS ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>REVENUES</b>				
Property Taxes	\$ 105,466	\$ 105,466	\$ 104,895	\$ (571)
Penal Fines	10,000	10,000	14,769	4,769
Gifts and Donations	10,250	15,250	14,048	(1,202)
Interest	10,500	13,300	17,398	4,098
State Aid	2,700	3,070	3,058	(12)
Overdue Fines	750	750	1,211	461
Grant Income	-	-	187	187
<b>Total Revenues</b>	<b>139,666</b>	<b>147,836</b>	<b>155,566</b>	<b>7,730</b>
<b>EXPENDITURES</b>				
Salaries and Wages	47,928	47,928	47,966	(38)
Payroll Taxes	3,937	3,937	3,915	22
Books	23,000	26,985	24,855	2,130
Books & Other - Friends/Donations	10,250	15,250	9,827	5,423
Professional Services	9,120	9,120	8,530	590
Building Maintenance	17,500	17,500	7,260	10,240
Automation	6,000	6,000	3,767	2,233
Utilities	7,500	7,500	5,279	2,221
Insurance	3,500	3,500	2,791	709
Periodicals	2,300	2,300	2,323	(23)
Supplies	2,600	2,600	1,997	603
Dues	1,350	1,535	1,535	-
Postage	800	800	808	(8)
Programs	750	750	660	90
Equipment Maintenance	500	500	80	420
Miscellaneous	2,631	1,631	644	987
<b>Total Expenditures</b>	<b>139,666</b>	<b>147,836</b>	<b>122,237</b>	<b>25,599</b>
Excess of Revenues Over Expenditures	-	-	33,329	33,329
<b>Fund Balance - Beginning of Year</b>	<b>319,453</b>	<b>319,453</b>	<b>319,453</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 319,453</b>	<b>\$ 319,453</b>	<b>\$ 352,782</b>	<b>\$ 33,329</b>

March 4, 2008

To the Members of the Board  
Bellaire Public Library  
Antrim County, Michigan

We have audited the financial statements of Bellaire Public Library, as of and for the year ended December 31, 2007, and have issued our report thereon dated March 4, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated February 26, 2008 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on February 26, 2008.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Bellaire Public Library are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2007. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

#### **The Valuation of Depreciation Expense and Accumulated Depreciation**

Management's estimate of Depreciation expense and accumulated depreciation is based on the Library's anticipated lives of the various capital assets, in addition to the amount the assets are actually used. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated March 4, 2008.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Internal Control Matters***

In planning and performing our audit, we considered the internal control over financial reporting of the Library as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant

deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

#### *Segregation of Duties*

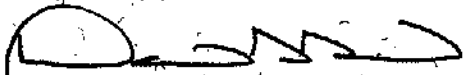
A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

#### *Reporting Financial Data*

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Organization has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Organization has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Organization has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other organizations of its size.

This information is intended solely for the use of the Board of Trustees and management of Bellaire Public Library and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully yours,

A handwritten signature in black ink, appearing to read 'Daniel S. Smith', with a stylized, flowing script.

Daniel S. Smith, CPA